

R590. Insurance, Administration.

R590-155. ~~[Disclosure of Life and Health Guaranty Association Limitations]~~Utah Life and Health Insurance Guaranty Association Summary Document.

R590-155-1. Authority.

This rule is promulgated pursuant to:

(1) Subsection 31A-2-201(3)(a), in which the commissioner is empowered to administer and enforce this title and to make rules to implement the provisions of this title; and ~~[pursuant to the specific authority of]~~

(2) Subsection 31A-28-119~~[-(4)]~~, to provide guidelines ~~[to enable insurers to comply with the requirement to disclose to insureds the extent that contractual guarantees are not covered or have limited coverage by]~~for the Utah Life and Health Insurance Guaranty Association summary and disclaimer document.

R590-155-2. Purpose and Scope.

[A]1. The purpose of this rule is to specify the form and content of the summary and disclaimer document for insurers to disclose to ~~[insureds]~~policy or contract holders the extent that contractual guarantees are not covered or have limited coverage by the Utah Life and Health Insurance Guaranty Association as required by Section 31A-28-119.

[B]2. The rule shall apply to all insurance transactions in this state involving ~~[direct]~~ life and health insurance policies and annuity contracts as specified in Subsection 31A-28-103(2).

R590-155-3. Rule.

[A]1. An insurer authorized to do business in this state, which is subject to the Utah Life and Health Insurance Guaranty Association Act, shall disclose to its policy or contract holders that its contractual guarantees may not be covered by the Utah Life and Health Insurance Guaranty Association.

[B]2. For the purpose of this rule, the ~~[statutory]~~term "policy or contract holders" shall also mean insureds or certificate holders of group policies.

[C]3. Disclosure shall be made in writing using the ~~[Utah Insurance Department summary document]~~text [entitled "Utah Life and Health Insurance Guaranty Association, Notice to Policyholders," as follows:]in the attachment to this Rule.

[TABLE]

[NOTICE TO POLICYHOLDERS

(Boldface Type)

Insurance companies licensed to sell life insurance, health insurance, or annuities in the State of Utah are required by law to be members of an organization called the Utah Life and Health Insurance Guaranty Association ("ULHIGA"). If an insurance company that is licensed to sell insurance in Utah becomes insolvent (bankrupt), and is unable to pay claims to its policyholders, the law requires ULHIGA to pay some of the insurance company's claims. The purpose of this notice is to

~~briefly describe some of the benefits and limitations provided to Utah insureds by ULHIGA.~~

~~PEOPLE ENTITLED TO COVERAGE~~

~~(Boldface Type)~~

~~You must be a Utah resident~~

~~You must have insurance coverage under an individual or group policy.~~

~~POLICIES COVERED~~

~~(Boldface Type)~~

~~ULHIGA provides coverage for certain life, health and annuity insurance policies.~~

~~EXCLUSIONS AND LIMITATIONS~~

~~(Boldface Type)~~

~~Several kinds of insurance policies are specifically excluded from coverage. There are also a number of limitations to coverage. The following are not covered by ULHIGA:~~

~~Coverage through an HMO~~

~~Coverage by insurance companies not licensed in Utah.~~

~~Self funded and self insured coverage provided by an employer that is only administered by an insurance company.~~

~~Policies protected by another state's guaranty association.~~

~~Policies where the insurance company does not guarantee the benefits.~~

~~Policies where the policyholder bears the risk under the policy.~~

~~Re insurance contracts.~~

~~Annuity policies that are not issued to and owned by an individual, unless the annuity policy is issued to a pension benefit plan that is covered.~~

~~Policies issued to pension benefit plans protected by the Federal Pension Benefit Guaranty Corporation.~~

~~Policies issued to entities that are not members of ULHIGA, including health plans, fraternal benefit societies, state pooling plans and mutual assessment companies.~~

~~LIMITS ON AMOUNT OF COVERAGE~~

~~(Boldface Type)~~

~~Caps are placed on the amount ULHIGA will pay. These caps apply even if you are insured by more than one policy issued by the insolvent company. The maximum ULHIGA will pay is the amount of your coverage or \$500,000 whichever is lower. Other caps also apply:~~

~~\$200,000 in net cash surrender values.~~

~~\$500,000 in life insurance death benefits (including cash surrender values).~~

~~\$500,000 in health insurance benefits.~~

~~\$200,000 in annuity benefits if the annuity is issued to and owned by an individual or the annuity is issued to a pension plan covering government employees.~~

~~\$5,000,000 in annuity benefits to the contract holder of~~

~~annuities issued to pension plans covered by the law. (Other limitations apply).~~

~~Interest rates on some policies may be adjusted downward.~~

~~DISCLAIMER~~

~~(Boldface Type~~

~~to, but not to include, the
two addresses at the end.)~~

~~PLEASE READ CAREFULLY:~~

~~COVERAGE FROM ULHICA MAY BE UNAVAILABLE UNDER THIS POLICY. OR, IF AVAILABLE, IT MAY BE SUBJECT TO SUBSTANTIAL LIMITATIONS OR EXCLUSIONS. THE DESCRIPTION OF COVERAGES CONTAINED IN THIS DOCUMENT IS AN OVERVIEW. IT IS NOT A COMPLETE DESCRIPTION. YOU CANNOT RELY ON THIS DOCUMENT AS A DESCRIPTION OF COVERAGE. FOR A COMPLETE DESCRIPTION OF COVERAGE, CONSULT THE UTAH CODE, TITLE 31A, CHAPTER 28.~~

~~COVERAGE IS CONDITIONED ON CONTINUED RESIDENCY IN THE STATE OF UTAH.~~

~~THE PROTECTION THAT MAY BE PROVIDED BY ULHICA IS NOT A SUBSTITUTE FOR CONSUMERS' CARE IN SELECTING AN INSURANCE COMPANY THAT IS WELL MANAGED AND FINANCIALLY STABLE.~~

~~INSURANCE COMPANIES AND INSURANCE AGENTS ARE REQUIRED BY LAW TO GIVE YOU THIS NOTICE. THE LAW DOES, HOWEVER, PROHIBIT THEM FROM USING THE EXISTENCE OF ULHICA AS AN INDUCEMENT TO SELL YOU INSURANCE.~~

~~THE ADDRESS OF ULHICA, AND THE INSURANCE DEPARTMENT ARE PROVIDED BELOW.~~

~~Utah Life and Health Insurance Guaranty Association, 955 E. Pioneer Rd., Draper, Utah 84020~~

~~Utah Insurance Department, State Office Building, Room 3110, Salt Lake City, Utah 84114]~~

[D]4. Disclosure shall be given [by]before or at the time of delivery of the policy, contract, or certificate. The summary and disclaimer document shall also be available upon request by a policy or contract holder.

[E. As provided under Subsection 31A-21-201(3), each]5. Each insurer shall [file]submit a copy of the [form]summary and disclaimer document to the commissioner for approval.

R590-155-4. [Severability.]

~~If any provision or clause of this rule or the application of it to any person is for any reason held to be invalid, the remainder of the rule and the application of any provisions to other persons or circumstances shall not be affected.~~

R590-155-5. [Compliance] Enforcement Date.

~~[This rule is in effect on the date stated in the Notice of Effective Date form relating to this rule that the department files with the Division of Administrative Rules (the "effective date". The effective date will follow a period of 45 days during which interested parties will have time to prepare to be in compliance with this rule. It will also be the date on which the~~

~~department will begin enforcing this rule. The Notice of Effective Date form is published in the Utah State Bulletin, a publication of the Division of Administrative Rules. The Utah State Bulletin is found at the website, www.rules.state.ut.us. In addition, the effective date may be found at the department's website, www.insurance.state.ut.us, by clicking on "Industry Resources" and then "Rules" and scrolling down to the appropriate reference to the rule.] The commissioner will begin enforcing this rule 45 days from the effective date of this rule.~~

R590-155-5. Penalties.

A person found to be in violation of this rule shall be subject to penalties as provided under Section 31A-2-308.

R590-155-6. Severability.

If any provision or clause of this rule or the application of it to any person is for any reason held to be invalid, the remainder of the rule and the application of any provisions to other persons or circumstances shall not be affected.

KEY: insurance

Date of Enactment or Last Substantive Amendment: [August 20, 2001]2010

Notice of Continuation: December 17, 2007

Authorizing, and Implemented or Interpreted Law: 31A-2-201; 31A-28-119

NOTICE OF PROPOSED RULE AMENDMENT

- The agency identified below in box 1 provides notice of proposed rule change pursuant to Utah Code Section 63G-3-301 and Subsection 53C-1-201(3)(c).
- Please address questions regarding information on this notice to the agency.
- The full text of all rule filings is published in the Utah State Bulletin unless excluded because of space constraints.
- The full text of all rule filings may also be inspected at the Division of Administrative Rules.

Agency Information

1. Agency: Insurance - Administration
 Room no.: 3110
 Building: STATE OFFICE BLDG
 Street address 1: 450 N MAIN ST
 Street address 2:
 City, state, zip: SALT LAKE CITY UT 84114-1201
 Mailing address 1: PO BOX 146901
 Mailing address 2:
 City, state, zip: SALT LAKE CITY UT 84114-6901

Contact person(s):

Name: Phone: Fax: E-mail:

| | | | |
|---------------|--------------|--------------|------------------|
| Jilene Whitby | 801-538-3803 | 801-538-3829 | jwhitby@utah.gov |
|---------------|--------------|--------------|------------------|

(Interested persons may inspect this filing at the above address or at DAR during business hours)

Rule Information

DAR file no: 33591 Date filed: 04/29/2010 12:14 PM
 State Admin Rule Filing Key: 149684
 Utah Admin. Code ref. (R no.): R 590 - 155 -
 Changed to Admin. Code ref. (R no.): - -

Title

2. Title of rule or section (catchline):
 Disclosure of Life and Health Guaranty Association Limitations.

Notice Type

3. Type of notice: Amendment

Rule Purpose

4. Purpose of the rule or reason for the change:
 The rule is being updated to correct the address of the association and increase the amount for annuities along with other housekeeping revisions.

Response Information

5. This change is a response to comments by the Administrative Rules Review Committee.
 No

Rule Summary

6. Summary of the rule or change:

The changes to this rule include: the change in the title of the rule; correcting the address of the association;

increasing the amount for annuities; standardizing the notice to conform with the National Association of Insurance Commissioner's (NAIC) template; transferring the notice from the body of the rule to an attachment; standardizing the Enforcement section; moving the severability section to the end of the rule; and adding a Penalties section.

Aggregate Cost Information

7. Aggregate anticipated cost or savings to:

A) State budget:

Affected: No

Licensed health and life insurers will be required to file their revised guarantee notices with the department, which will increase the department's workload, but not to the extent that a full or part time person will need to be hired. These filings will not create a change in the department or state's revenues since insurers pay a set fee once a year.

B) Local government:

Affected: No

The changes to this rule will not affect local governments since the rule deals solely with the relationship of the department with its licensees.

C) Small businesses:

Affected: No

("small business" means a business employing fewer than 50 persons)

This rule and its changes should have no effect on small businesses. The rule affects insurance companies licensed to do business in Utah. All insurers would be considered large insurers.

D) Persons other than small businesses, businesses, or local government entities:

Affected: No

("person" means any individual, partnership, corporation, association, governmental entity, or public or private organization of any character other than an agency)

Life and Health insurers will need to take the revised notice attached to this rule and make a few changes to it to personalize it. If they keep hard copies of the notice on hand they will need to replace it which would create a minor expense for them. The form would then need to be filed with the department but this is done electronically resulting in no mailing costs and no additional filing fee over that paid when the company renews its license with the department. As a result there should be no pass along cost to their insureds.

Compliance Cost Information

8. Compliance costs for affected persons:

There are no compliance costs involved in the changes to this rule. Filing fees are no longer charged for individual filings. They are paid at the time of the license is issued or renewed.

Department Head Comments

9. A) Comments by the department head on the fiscal impact the rule may have on businesses:

The changes to this rule will have no fiscal impact on businesses.

B) Name and title of department head commenting on the fiscal impacts:

Neal T. Gooch

Citation Information

10. This rule change is authorized or mandated by state law, and implements or interprets the following state and federal laws.

State code or constitution citations (required) (e.g., Section 63G-3-402; Subsection 63G-3-601(3); Article IV) :

31A-2-201, 31A-28-119

Incorporated Materials

11. This rule adds, updates, or removes the following title of materials incorporated by references (a copy of materials incorporated by reference must be submitted to DAR; if none, leave blank) :

Official Title of Materials Incorporated (from title page):

Publisher:

Date Issued:

Issue, or version:

ISBN Number:

ISSN Number:

Cost of Incorporated Reference:

Adds, updates, removes:

Comments

12. The public may submit written or oral comments to the agency identified in box 1. (The public may also request a hearing by submitting a written request to the agency. The agency is required to hold a hearing if it receives requests from ten interested persons or from an association having not fewer than ten members. Additionally, the request must be received by the agency not more than 15 days after the publication of this rule in the Utah State Bulletin. See Section 63G-3-302 and Rule R15-1 for more information.)

06/14/2010

A) Comments will be accepted until 5:00 p.m. on (mm/dd/yyyy) :

B) A public hearing (optional) will be held:

On (mm/dd/yyyy): At (hh:mm AM/PM): At (place):

06/01/2010 03:00 PM Room 3112 of the State Office Building, 450 N. State, Salt Lake City, UT 84114

Proposed Effective Date

13. This rule change may become effective on (mm/dd/yyyy): 06/21/2010
- NOTE: The date above is the date on which this rule MAY become effective. It is NOT the effective date. After the date designated in Box 12(A) above, the agency must submit a Notice of Effective Date to the Division of Administrative Rules to make this rule effective. Failure to submit a Notice of Effective Date will result in this rule lapsing and will require the agency to start the rulemaking process over.

Indexing Information

14. Indexing information - keywords (maximum of four, in lower case, except for acronyms (e.g., "GRAMA") or proper nouns (e.g., "Medicaid")):
- insurance

File Information

15. Attach an RTF document containing the text of this rule change (filename):

There is a document associated with this rule filing.

To the Agency

Information requested on this form is required by Sections 63G-3-301, 302, 303, and 402. Incomplete forms will be returned to the agency for completion, possibly delaying publication in the Utah State Bulletin, and delaying the first possible effective date.

Agency Authorization

Agency head or designee, and title:

Jilene Whitby Information
Specialist

Date (mm/dd/yyyy): 04/29/2010

Notice of Protection Provided by Utah Life and Health Insurance Guaranty Association

This notice provides a brief summary of the Utah Life and Health Insurance Guaranty Association (“the Association”) and the protection it provides for policyholders. This safety net was created under Utah law, which determines who and what is covered and the amounts of coverage.

The Association was established to provide protection in the unlikely event that your life, health, or annuity insurance company becomes financially unable to meet its obligations and is taken over by its insurance regulatory agency. If this should happen, the Association will typically arrange to continue coverage and pay claims, in accordance with Utah law, with funding from assessments paid by other insurance companies.

The basic protections provided by the Association are:

- Life Insurance
 - \$500,000 in death benefits
 - \$200,000 in cash surrender or withdrawal values
- Health Insurance
 - \$500,000 in hospital, medical and surgical insurance benefits
 - \$500,000 in long-term care insurance benefits
 - \$500,000 in disability income insurance benefits
 - \$500,000 in other types of health insurance benefits
- Annuities
 - \$250,000 in withdrawal and cash values

The maximum amount of protection for each individual, regardless of the number of policies or contracts, is \$500,000. Special rules may apply with regard to hospital, medical and surgical insurance benefits.

Note: Certain policies and contracts may not be covered or fully covered. For example, coverage does not extend to any portion of a policy or contract that the insurer does not guarantee, such as certain investment additions to the account value of a variable life insurance policy or a variable annuity contract. Coverage is conditioned on residency in this state and there are substantial limitations and exclusions. For a complete description of coverage, consult Utah Code, Title 31A, Chapter 28.

Insurance companies and agents are prohibited by Utah law to use the existence of the Association or its coverage to encourage you to purchase insurance. When selecting an insurance company, you should not rely on Association coverage. If there is any inconsistency between Utah law and this notice, Utah law will control.

To learn more about the above protections, as well as protections relating to group contracts or retirement plans, please visit the Association’s website at www.utlifega.org or contact:

Utah Life and Health Insurance Guaranty Assoc.
60 East South Temple, Suite 500
Salt Lake City UT 84111
(801) 320-9955

Utah Insurance Department
3110 State Office Building
Salt Lake City UT 84114-6901
(801) 538-3800

A written complaint about misuse of this Notice or the improper use of the existence of the Association may be filed with the Utah Insurance Department at the above address.